


STANROCK URANIUM MINES

L I M I T E D

ANNUAL REPORT

1969



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STANROCK URANIUM MINES LIMITED

80 Richmond Street West
Toronto 1, Ontario, Canada

Officers

GEORGE ROWE, JR. - - - - - President
D. C. MARSHALL - - - - - Vice-President and Treasurer
HARMON DUNCOMBE - - - - - Secretary

Directors

JAMES BRUCE

Director of Technicolor, Inc., Fruehauf Corporation, Avco Corporation, U.S. Industries, Inc., Revlon, Incorporated, Loew's Theatres, Inc., and other companies; formerly United States Ambassador to the Argentine.

HARMON DUNCOMBE

Secretary of the Company; Member of the law firm of Fulton, Walter & Duncombe, New York, N.Y.; Director, International Flavors & Fragrances Inc.

JOHN R. DUNNING

Lindsley Professor of Applied Science at Columbia University, New York, N.Y. Formerly Dean of the Faculty of Engineering and Applied Science and Director of Scientific Research for that University. Director of City Investing Company and Axe Science Corp.

ROBERT FRANKEL

President of Frankel Shops, Inc., Long Island, N.Y. Vice-President and director of Granite Management Services Inc., director of Cybermark Systems Inc. and Colonial Commercial Corp., Chairman of the Board of Ram Hart Systems Inc., Folio One Productions Ltd., K. & F. Enterprises Inc. and Optronics Systems Inc.

V. V. JACOMINI

Independent business consultant, Houston, Texas.

D. C. MARSHALL

Vice-President, Treasurer and Member of the Executive Committee of the Company.

JOHN F. A. NISCO

Officer, William D. Witter, Inc., investment bankers, New York, N.Y.

D. S. ROBERTSON

Member of the Executive Committee of the Company; Consulting Geologist, Toronto.

GEORGE ROWE, JR.

President and Member of the Executive Committee of the Company; Member of the law firm of Fulton, Walter & Duncombe, New York, N.Y.; Director, Foster Wheeler Corporation.

J. CARLTON WARD, JR.

Member of the Executive Committee of the Company; independent business consultant, Norfolk, Connecticut; formerly President and Chairman of the Board, Vitro Corporation of America.

Counsel

FULTON, WALTER & DUNCOMBE
30 Rockefeller Plaza
New York, N.Y. 10020

CASSELS, BROCK
165 University Avenue
Toronto 1, Ontario

Auditors

HARBINSON, GLOVER & CO.
101 Richmond St. West
Toronto, Ontario

STANROCK URANIUM MINES LIMITED

President's Report

TO THE STOCKHOLDERS:

Financial statements for your Company for the year 1969 are included with this report. We continue to be in a strong financial condition with net current assets of approximately \$740,000 and no long-term debt.

In 1969 we produced by bacterial leaching uranium oxide with a sales price of \$427,885. For the year as a whole, after other miscellaneous income of \$38,830 and costs of \$598,873, we incurred a net loss of \$132,158. Deferred expenses primarily relating to the refurbishing of our plant and equipment at Elliot Lake in anticipation of future conventional mining and milling operations were \$115,001 in 1969. During the year we constructed additional bulkheads underground, which permitted us to build up a reservoir of uranium-containing water in the mine. The year's results were adversely affected by a considerable reduction in U_3O_8 recoveries in the fourth quarter and by a year-end write down of warehouse obsolete inventory.

In the latter part of the year we placed increased emphasis upon our efforts to acquire income producing properties, so that we may take advantage of our \$18,500,000 of cost allowances for income tax purposes, and we have two promising opportunities

under consideration and negotiation at this time.

In 1969 seven new commercial nuclear power reactors were ordered in the United States, including a second reactor for Jersey Central Power & Light Company, which owns and operates the Oyster Creek nuclear plant. The new plant will have a capacity of 1,190,000 kilowatts and is the largest so far ordered in the United States. These orders, although fewer than those placed last year, are additional evidence of the strong commitment of the electrical power industry to nuclear power.

The nuclear plants ordered in 1969 bring to over 100 the number completed, under construction, on order or announced in the United States. Sixteen units including nine major commercial units have been completed and are generating electricity. Two of these, Commonwealth Edison's first Dresden plant at Morris, Illinois and Northeast Utilities' Yankee plant at Rowe, Massachusetts have been operating successfully for ten years, proving reliable, safe and economic. The Atomic Energy Commission continues to estimate that installed U.S. nuclear capacity in 1980 will reach 150,000,000 kilowatts.

The year 1969 was marked by increasing public interest in the protection and preservation of our natural surroundings. Of concern

to conservationists is the pollution of the atmosphere caused by fossil-fueled power plants. The Congressional Joint Committee on Atomic Energy initiated a study of the environmental effects of various types of electrical power generating facilities and, in January 1970, the Committee released the testimony of a series of witnesses who supported the Committee's opinion that nuclear facilities represent, on balance, the best available way to meet the tremendous future energy needs of the United States.

Certain problems confronted the nuclear power industry in 1969. Although actual operating costs showed steady improvement, reactors took longer to construct, encountered more technical difficulties and cost more than originally anticipated. Some new plants which would have otherwise been nuclear fueled went to fossil fuels. These developments have caused a current easing of the demand for uranium oxide, with a consequent interruption of the price increases for U_3O_8 which had marked prior years. These difficulties appear to be temporary and typical of the kind encountered in a new industry. The long-term outlook remains extremely good.

The fundamentally favorable prospect for uranium is evidenced by the 30,000,000 feet of exploratory drilling for uranium carried out in 1969 by mining and other companies in the United States alone. The amount of

drilling far exceeds that done in the peak exploratory years of the early 1950's.

Despite the enormous amount of drilling, results in the form of increased reserves have been modest. Reserves which can be exploited at \$10 or less remain inadequate by a great margin in the light of projected demand.

We remain confident that U_3O_8 prices will advance within the next few years to the point where it will be economic for your company to resume conventional mining and milling of its sizeable uranium deposits at Elliot Lake.

We take this opportunity to thank Mr. B. G. MacDermid, Mine Manager, Mr. Robert MacGregor, Underground Superintendent, and our employees who have turned in a fine performance at the mine this year. We thank our shareholders for their support.

Very truly yours,

A handwritten signature in cursive script, reading "Geo Rowe Jr".

President.

February 17, 1970.

STANROCK URANIUM

Balance Sheet — as at December 31, 1968

ASSETS

Current:

Cash	\$ 183,636	1968 Comparative figures \$ 499,928
Accounts receivable (Note 1)	508,470	362,746
Inventory — uranium oxide at contract price ..	—	14,716
— yttrium oxide at lower of cost or market	3,790	3,790
Prepaid expenses	131,941	122,502

827,837 1,003,682

Investment in and advances to subsidiary 6,786 6,338

Fixed, at cost:

Mining properties	596,932	596,932
Land	24,000	24,000
Buildings, machinery and equipment	\$16,137,146	16,185,544
Less: Accumulated depreciation	16,083,951	(16,109,226)
	53,195	

674,127 697,250

Option payments (Note 2) 27,506 27,506

Deferred charges (Note 3) 548,167 433,166

Approved on behalf of the Board:

GEORGE ROWE, Jr., Director.

D. C. MARSHALL, Director.

\$2,084,423

\$ 2,167,942

AUDIT

To the Shareholders of
Stanrock Uranium Mines Limited.

We have examined the balance sheet of Stanrock Uranium Mines Limited of funds for the year then ended. Our examination included a general review of evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position, source and application of its funds for the year then ended, in accordance with generally accepted accounting principles.

Toronto, Ontario,
February 17, 1970.

MINES LIMITED

December 31, 1969

LIABILITIES

Current:

Accounts payable and accrued liabilities	\$ 45,070	1968 Comparative figures \$ 65,342
Long-term debt due within one year	40,000	40,000
	<u>85,070</u>	<u>105,342</u>

Long-term:

Note payable (secured) (Note 4)	\$ 40,000	80,000
Less: Due within one year	<u>40,000</u>	<u>40,000</u>
	—	<u>40,000</u>

SHAREHOLDERS' EQUITY

Capital:

Authorized:

10,000,000 Common shares with a par value
of \$1.00 each (Note 5)

Issued, fully paid and non-assessable (Note 6):

6,546,323 Common shares	6,546,323	6,503,488
Less: Discount on shares (Net)	<u>2,105,173</u>	<u>2,130,422</u>
	4,441,150	4,373,066

Deficit	<u>2,441,797</u>	<u>2,350,466</u>
	1,999,353	2,022,600

<u>\$2,084,423</u>	<u>\$2,167,942</u>
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REPORT

December 31, 1969 and the statements of earnings, deficit and source and application
counting procedures and such tests of accounting records and other supporting

the Company as at December 31, 1969 and the results of its operations and the
accepted accounting principles applied on a basis consistent with that of the preceding

HARBINSON, GLOVER & CO.,
Chartered Accountants.

STANROCK URANIUM MINES LIMITED

Statement of Earnings

For the Year Ended December 31, 1969

		1968 Comparative figures
Sales of uranium	\$ 427,885	\$ 512,598
Operating expenses:		
Washing and milling	\$ 406,583	392,238
Administrative	165,733	171,693
Depreciation	24,725	21,402
	<u>597,041</u>	<u>585,333</u>
	169,156	72,735
Other income:		
Interest	23,299	45,018
Miscellaneous	14,031	—
	<u>37,330</u>	<u>—</u>
Net loss for the year before special items	131,826	27,717
Disposal of machinery and equipment	1,500	383
	<u>130,326</u>	<u>27,334</u>
Acquisition and related expenses not deferred	1,832	—
Net loss after special items	<u>\$ 132,158</u>	<u>\$ 27,334</u>

Statement of Deficit

For the Year Ended December 31, 1969

Balance beginning of year	\$2,350,466	\$2,292,599
Add: Adjustments to prior years' earnings	—	30,533
Income taxes recovered (Note 8)	(40,827)	—
	<u>2,309,639</u>	<u>2,323,132</u>
Net loss for the year after special items	132,158	27,334
Balance end of year	<u>\$2,441,797</u>	<u>\$2,350,466</u>

STANROCK URANIUM MINES LIMITED

Statement of Source and Application of Funds

For the Year Ended December 31, 1969

Source of funds:

Issue of shares:

For cash	\$ 68,084	\$ 48,750
Income taxes recovered	40,827	—
	<u>108,911</u>	<u>48,750</u>

Application of funds:

Net loss for the year, less depreciation	107,433	5,932
Purchase of fixed assets:		
Machinery and equipment	1,602	16,609
Option payments	—	27,506
Deferred charges	115,001	191,199
Advances to subsidiary	448	2,147
Reduction in note payable	40,000	40,000
Prior years' expenses	—	30,533
	<u>264,484</u>	<u>313,926</u>
Decrease in working capital	155,573	265,176
Working capital, January 1	898,340	1,163,516
Working capital, December 31	<u>\$ 742,767</u>	<u>\$ 898,340</u>

STANROCK URANIUM MINES LIMITED

Notes to Financial Statements

As at December 31, 1969

- Note 1.** An amount equal to \$491,264 of accounts receivable represents part of the sales price for uranium oxide sold by the Company. This amount is not due the Company until the Company receives shipping instructions thereto or April 1, 1970, whichever is earlier.
- Note 2:** In November 1967, the Company obtained an option to acquire a 51% interest in a group of seventeen mining claims. To exercise the option the Company is required to expend an additional \$120,000 prior to 1977 on such claims.
- Note 3.** In anticipation of the resumption of conventional mining operations, expenses of a feasibility study and restoration of the plant and mine, together with exploration costs, have been deferred.
- Note 4.** The note bears interest at $5\frac{1}{4}\%$, is due September 1, 1970 and is secured by a mortgage on the Company's realty.
- Note 5.** Options outstanding as at December 31, 1969:
- (a) Options granted during 1966 to officers and other key employees for 5,000 common shares of the Company, exercisable before May 24, 1971 at \$1.70 (U.S.) per share.
 - (b) Option granted during 1968 to an officer for 5,000 common shares of the Company exercisable before February 7, 1973 at \$4.06 (U.S.) per share.
- Note 6.** During the year 42,835 shares were issued for \$68,084 cash. Such shares were issued pursuant to the exercise of options.
- Note 7.** As of the date of this balance sheet, the Company has approximately \$18,500,000 in undepreciated capital cost allowance which may be claimed for tax purposes, at the rate determined by law, against future taxable income of the Company.
- Note 8.** The Company, as transferee of the assets and business of The Stanward Corporation, has been subject to claims by the Internal Revenue Service for income taxes payable by Stanward for the year 1960 and certain years prior thereto. These claims have been the subject of negotiations between U.S. counsel for the Company and such Service. During the year a settlement was reached and the Company received a refund of taxes paid.

